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EXISTING OBSTACLES TO THE EXTENSION OF OUR TRADE WITH CENTRAL AND SOUTH AMERICA

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As a preface I may say that we need not look for any great improvement in trade with Central and South America until the war has been brought to a close. English bankers have been forbidden by their government to participate in financial undertakings outside of Great Britain. Undoubtedly, similar restrictions have been imposed by the governments of other warring nations. The Central and South American countries, with the possible exceptions of the Argentine Republic and the United States of Colombia, are not in a position to finance new enterprises.

Some of our American bankers have taken the commendable lead in establishing branches in some South American countries. I doubt, however, if these bankers will, under existing conditions, be justified in extending their business in those countries to any considerable extent or to finance enterprises as was done formerly by foreign banks.

The Second National Foreign Trade Convention, recently held in St. Louis, meetings of various chambers of commerce and export associations, the recent very important annual meeting of the American Academy of Political and Social Science and the Pan-American Financial Conference will assist our foreign trade but little if existing laws and policies are not changed.

In order to insure permanent success and an increase in our export trade, we must revise our statutes in so far as they relate to these subjects. For instance, we should have a law admitting to American registry all vessels, whether built in the United States or not, when owned chiefly by American citizens or by American corporations, and when engaged in foreign trade with the United States, such vessels should be exempt from the provisions of the American navigation laws. The special regulations appertaining to the treatment of crews, to safety appliances, etc., of such vessels

should conform to those of the merchant marine of the great maritime nations.

It may surprise some of you to learn that, in the past, ships of certain foreign nations have not only discriminated against our merchants in the matter of rates, but they have deliberately delayed the delivery of American cargoes in the interest of their own nationals. Frequently the demurrage charges, incident to such wilful delays, have been paid by foreign associations or foreign governments. Hence, the great importance to our export trade of having our own merchant marine.

The Seamen's Bill should be amended so as to apply only to coastwise trade and that of the Great Lakes. It is necessary to have vessels running direct between the ports of the United States and those of Central and South America, providing the very best of passenger accommodations in order to induce our Latin cousins to visit us and spend some of their holidays here so that we may become better acquainted. Before the war they usually went to Europe. Those who came here had to take the additional time of crossing the Atlantic twice or endure inferior accommodations. We cannot have such ships if the Seamen's Bill is not amended as suggested above.

There has been considerable agitation of late regarding the creation of a new merchant marine. How can we hope to succeed in this if, in the face of all the earnest work done on this account, such a law as the recently enacted Seamen's Bill must be respected? This bill has undoubtedly many very good points but it should not apply to foreign trade. If it does, we will kill the small merchant marine we now have and American labor cannot be benefited if there are no American ships. It is also a mistaken idea that this law will protect American labor on ships of other nations trading between this and foreign countries, inasmuch as the vessels engaged in this trade are usually manned by foreigners and the question suggests itself why should we go out of our way to protect foreign sailors at the expense of our foreign trade?

Railroads and steamship lines should be permitted at all times to issue through bills of lading to foreign countries and to make special rates to meet foreign competition. The railroads should make preferential freight rates on shipments of manufactured articles from inland points to the coast. This is the common practice

in foreign countries. The railroads will not suffer by this reduction in rates as it will not interfere with their domestic business and they will be compensated by increased foreign shipments.

The Sherman Act should be amended in order to exclude from its provisions foreign business. The amended law should be so clear as to leave no doubt as to its interpretation.

Laws relating to drawback, being a refund of duties on materials used in the manufacture of articles exported, should be amended so as to encourage our foreign trade and to conform to similar laws already in successful operation in foreign countries for some years past.

In addition to the above, Congress should appropriate sufficient funds to permit the United States to be represented by able men in Central and South America. We should not be content to have the type of man who is limited in his traveling expenses to a daily allowance of \$5 and, consequently, cannot represent our government in a manner to command respect. We need men of the class employed by foreign governments who are able to make reliable reports on the activities and methods of our foreign competitors and the conditions surrounding proposed industrial undertakings, reports on which our banks can place absolute reliance when they are requested to assist in the financing of enterprises.

You will probably be surprised to know that some of these foreign representatives at present act in the capacity of "trade spies," so to say, and furnish their governments with information concerning the business done by subjects of competing countries. They even go to the extent of supplying their governments with detailed copies of invoices of American manufacturers which they can easily obtain when the invoices are made collectable through foreign banks.

Our government should adopt a definite policy favoring foreign trade. Under this new policy it should become impossible to have our experience in Mexico repeated, whereby about one billion dollars of American investments have been allowed to suffer. All present laws and policies, having for their object the benefiting of foreigners at the expense of American enterprise, should be repealed or amended.

Our government should use its influence to induce all the Central and South American republics to make their tariff laws

dependent on specific duties, based on weights or otherwise, and not on *ad valorem* values. The American exporter suffers very much from the illegal practices of some foreign manufacturers who swear to undervaluations amounting to as much as from forty to sixty per cent of the true invoice value, whereby they are enabled to pay less duty on their goods, thus placing American exporters, who will not condescend to these fraudulent practices, at an unfair disadvantage.

After the present obstacles have been removed by the enactment of suitable laws and the adoption of a favorable governmental policy, we will be able to call on the bankers for more help than I am inclined to believe they intend to give under existing conditions. If we wish to compete effectively with foreign countries, our banks should be prepared to assist in financing Central and South American governments and deserving enterprises in those countries just as foreign banks have done for years with scarcely any losses. Our banks cannot be expected to do this under the present governmental policy.

Foreign manufacturers have, in the past, investigated foreign enterprises and, upon favorable report of the government agent or other responsible party, have been able to secure the assistance of their banks in financing these undertakings. Credit was then usually extended on first mortgages as security for acceptances running for a term of from three to five years. These first mortgages provide the investor with the most ample protection. The foreign manufacturers are thus enabled to obtain cash for their goods while their banks have secured from eight to ten per cent interest on acceptances which they have been able to rediscount at from three to four per cent. The French have established several loan associations in South America which, after investigating some of the foreign financed undertakings and having found them to be good properties, have taken over the acceptances of some foreign banks before they became due, thereby enabling the original promoters to come into possession of the funds they have advanced much sooner than at first anticipated.

When referring to financing of foreign undertakings, I do not wish to convey the idea that, if a man comes to this country and asks for, say, six months' credit, he should be accorded this accommodation. In fact, we should refuse to extend to such a man any credit

whatever, for in case he should default, we would not be in a position to commence legal proceedings against him unless we have a representative of standing in his native country. Furthermore, a man asking for six months' credit is not in a position to accurately estimate his profit as, in six months, rates of exchange may be such as to convert his estimated profit into loss. If this man has the proper standing in his own country, he will be able to discount his notes easily locally as the banking facilities in ordinary times have been very good in South American countries, there being in addition to local banks, English, German, French, Italian and Belgian banks which are nearly always ready to discount good commercial paper charging, of course, a greater rate of interest than is customary in the United States.

We must not deceive ourselves in expecting that the war will so cripple our European competitors as to make their competition negligible in the future. We must not expect to take away much of the trade formerly held by our foreign competitors, chiefly the Germans and the British, unless we are put as nearly as possible on an equal footing with them.

In conclusion, I wish to say that the American press have, with praiseworthy activity, taken a great interest in our foreign trade with practically the only result of increasing our mail with applications for imaginary positions in connection with our export business. It seems to me that one of the first things to be done, in order to obtain the somewhat seemingly radical changes of laws and policies suggested, is to educate the press. Show them what really is required to increase our foreign trade and have them in turn, post the masses who, together with the former, should influence necessary legislation. They must make the American public realize that every dollar we export in merchandise makes the American nation so much richer and that the American laborer will be benefited to a proportionate extent. They must also be made to understand that foreign trade is absolutely necessary as a "filler-in" in times of depression. We should encourage our press to write leading articles on the proposed changes and to agitate the matter before the public in such a vigorous way as to make the laboring man understand that what is suggested above is in his interest. The voters should use their influence with their representatives in Congress and with the government to bring about the new laws and policies.

The representatives of the press should interview leading exporters who understand foreign business and obtain their views and reasons for wishing to create the new conditions. Let them explain to their readers that we ask for no special privileges and no subsidies, but on the other hand we should not be hampered by unjust and unnecessary regulations.

We can, in most instances, overcome the difference in cost between American and European labor by our more extensive and ingenious methods of manufacture, but we should not be required to do more than this.